

AUDITING PROCEDURES REPORT

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19-7506

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Detroit Downtown Div. Auth	County Clinton
Audit Date June 30, 2004	Opinion Date October 15, 2004	Date Accountant Report Submitted to State: December 20, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

Enclosed	To Be Forwarded	Not Required
X		
		X
		X

Certified Public Accountant (Firm Name) Layton & Richardson P.C.		City East Lansing	State MI	ZIP 48823
Street Address 1000 Coolidge Rd				
Accountant Signature C. R. Crouch, CPA				

CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY

CLINTON COUNTY, MICHIGAN

JUNE 30, 2004

BOARD OF DIRECTORS

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Lynne Reust	Vice-Chairman
Fred Motz	Treasurer
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INDEPENDENT AUDITORS' REPORT

Board of Directors
City of DeWitt Downtown
Development Authority
DeWitt, Michigan

We have audited the accompanying basic financial statements of the governmental activities, and the business-type activities of the CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basis financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the City of DeWitt Downtown Development Authority as of June 30, 2004, and the results of its operations for the year then ended, in conformity with the U.S. generally accepted accounting principles.

As described in Note 2, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*; Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-For State and Local Governments*; Statement No. 36, *Recipient for Certain Shared Nonexchange Revenues*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004, on our consideration of the City of DeWitt Downtown Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it

Our audit was conducted for the purpose of forming an opinion of the financial statements that collectively comprise the City of DeWitt Downtown Development Authority's basic financial statements. The introductory section and supplementary section are presented for purposes of additional analysis and are not required part of the basic financial statements. The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it.

Layton & Richardson, P.C.
Certified Public Accountant

October 15, 2004
East Lansing, Michigan

CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

New Financial Reporting

Beginning with FY 03-04, the City of DeWitt Downtown Development Authority, (the DDA) has revised and improved its financial reporting document. This change is a result of new standards set by the Governmental Accounting Standards Board (GASB). The intent of this new standard is to provide citizens, taxpayers, customers, and investors with a better understanding of how the DDA's money and other assets are managed.

The new standards set by GASB are intended to make reading annual financial reports easier for the reader to understand. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the DDA's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a better understanding of the DDA's financial health.

The discussion and analysis of financial performance provides an overview of the DDA's financial activities for FY 03-04. Please read this document in conjunction with the DDA's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for FY 03-04:

- Assets of the DDA exceeded its liabilities at the close of FY 03-04 by \$139,177.
- The DDA's total net assets decreased by \$10,884 as a result of current year activity.

Using this Annual Report

This annual report consists of several financial statements. The statement of net assets and the statement of activities provide information about the activities of the DDA as a whole and present a longer-term view of the DDA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view which reveals how resources were spent during the year and what resources are available for future spending. Fund financial statements also report the operations of the DDA in more detail than the government-wide financial statements by providing information about the DDA's most significant fund.

CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The DDA as a Whole

The following table shows, in condensed format, the net assets of the DDA as of June 30, 2004. A comparative analysis of data will be presented in future years when the information is available.

Assets	
Current assets	<u>\$139,177</u>
Total assets	<u>\$139,177</u>
Liabilities	
Current liabilities	\$ 0
Net Assets	
Unrestricted	<u>\$139,177</u>

The DDA's total net assets and unrestricted net assets were \$139,177 at June 30, 2004. The management's discussion and analysis will present a condensed comparative statement of net assets next year when two years of statements in the GASB Statement No. 34 format are available.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

Revenue	
General revenue:	
Taxes	\$63,493
Interest	\$ 1,932
Miscellaneous	<u>\$ 100</u>
Total revenue	\$65,525
Program Expenses	
Professional Services	\$34,943
Advertising & Promotion	\$11,595
Audit	\$ 750
Operating expenses	\$ 237
Office supplies	\$ 69
Improvements	<u>\$28,815</u>
Total expenses	\$76,409
Change in Net Assets	<u>(\$10,884)</u>

CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Governmental Activities

The DDA governmental revenues totaled \$65,525 with the largest revenue source being property taxes. Property taxes make up approximately 97% of the total governmental revenue.

The DDA incurred expenses of \$76,409 during the fiscal year, the two largest expenses being professional services (\$34,943) and improvements (\$28,815). Professional services represent approximately 46% and improvements represent approximately 38% of the annual expenditures.

Capital Asset Administration

The DDA does not own or maintain any capital assets.

Long-Term Debt

The DDA does not have any long-term debt.

Contacting the DDA

This financial report is intended to provide citizens, taxpayers, customers, and investors with the general overview of the DDA's finances and demonstrate the DDA's accountability for the money it receives. If you have any questions about this report or need any additional information, we welcome you to contact the City of DeWitt, 414 E Main Street, DeWitt, MI 48820.

CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

	GOVERNMENTAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and cash equivalents	\$ <u>139,177</u>	\$ <u> </u> \$	<u>139,177</u>
 FUND BALANCE/NET ASSETS			
Unreserved - undesignated	\$ <u>139,177</u>	\$ <u> </u> \$	<u>139,177</u>

See accompanying notes to financial statements.

CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ACTIVITIES
EXPENDITURES/EXPENSES			
Professional services	\$ 34,943	\$	\$ 34,943
Advertising and promotion	11,595		11,595
Audit	750		750
Operating expenses	237		237
Office supplies	69		69
Improvements	<u>28,815</u>	<u></u>	<u>28,815</u>
TOTAL EXPENDITURES	<u>76,409</u>	<u></u>	<u>76,409</u>
GENERAL REVENUES			
Taxes	63,493		63,493
Interest	1,932		1,932
Miscellaneous	<u>100</u>	<u></u>	<u>100</u>
TOTAL REVENUES	<u>65,525</u>	<u></u>	<u>65,525</u>
CHANGE IN NET ASSETS	(10,884)		(10,884)
FUND BALANCE/NET ASSETS, JULY 1	<u>150,061</u>	<u></u>	<u>150,061</u>
FUND BALANCE/NET ASSETS, JUNE 30	\$ <u><u>139,177</u></u>	\$ <u><u></u></u>	\$ <u><u>139,177</u></u>

See accompanying notes to financial statements.

CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 58,500	\$ 63,490	\$ 63,493	\$ 3
Interest	2,000	1,825	1,932	107
Miscellaneous	500	100	100	
TOTAL REVENUES	<u>61,000</u>	<u>65,415</u>	<u>65,525</u>	<u>110</u>
EXPENDITURES				
Professional services	4,600	32,500	34,943	(2,443)
Advertising and promotion	7,500	13,000	11,595	1,405
Audit	750	750	750	
Operating expenses	300	250	237	13
Office supplies	500	175	69	106
Other	350	550		550
Improvements	34,200	32,800	28,815	3,985
TOTAL EXPENDITURES	<u>48,200</u>	<u>80,025</u>	<u>76,409</u>	<u>3,616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,800	(14,610)	(10,884)	3,726
FUND BALANCE, JULY 1	<u>150,061</u>	<u>150,061</u>	<u>150,061</u>	
FUND BALANCE, JUNE 30	<u>\$ 162,861</u>	<u>\$ 135,451</u>	<u>\$ 139,177</u>	<u>\$ 3,726</u>

See accompanying notes to financial statements.

CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of DeWitt Downtown Development Authority was created on May 7, 1981, pursuant to Act 197 of the Public Acts Michigan, 1975 as amended. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the City of DeWitt Downtown Development Authority ordinance establishing the Authority.

The primary revenue of the City of DeWitt Downtown Development Authority is "tax increment revenue." The taxing units are required by law to transmit to the Authority that portion of the tax levy of all taxing bodies paid each year on the captured assessed value of all real and personal property located in the development area. The "captured assessed value" is basically defined as the amount in any one year by which the current assessed value of the project area exceeds the initial assessed value.

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the City of DeWitt Downtown Development Authority. The Authority is considered a "component unit" of the City of DeWitt's governmental operation. As a result, industry standards require the City to include the financial activities of the Authority in the City's Annual Financial Report. The Annual Financial Report of the City of DeWitt is available for public inspection at the DeWitt City Hall.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of DeWitt Downtown Development Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report.

A. Government-Wide and Fund Financial Statement

The government-wide financial statement (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City of DeWitt Downtown Development Authority. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

B. Measurement Focus, Basis of Accounting and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City of DeWitt Downtown Development Authority.

C. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budgets and Budgetary Accounting

The Special Revenue Fund budget shown in the financial statements was prepared on the same modified accrual basis used to reflect actual results. The Authority employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to March 1, the Authority prepares and submits the proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to July 1, the budget is legally enacted through passage of a resolution.
- c. The budget is legally adopted at the total expenditure level; however, they are maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted or amended by the Authority during the year.

CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2004

NOTE 3: CASH AND INVESTMENTS

The Authority's deposits consist of a business checking account and a commercial cash management checking account, which are reported as cash on the balance sheet. Investments, Act 196, P.A. 1997, authorizes the Authority to deposit and invest in the following:

- a) Bonds, securities and other direct obligations of the United States or its agencies.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision a).
- e) Bankers' acceptance of United States banks.
- f) Certain mutual funds as defined in the act.
- g) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

Deposits of the Authority are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Authority.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws do not allow collateralization of government deposits.

As of June 30, 2004, the carrying amount and bank balance for the checking accounts as reported in the cash caption on the balance sheet was \$139,177, of which \$100,000 was insured.

The Authority has adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.



Layton & Richardson, P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
City of DeWitt Downtown
Development Authority
DeWitt, Michigan

We have audited the general purpose financial statements of the CITY OF DEWITT DOWNTOWN DEVELOPMENT AUTHORITY as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of DeWitt Downtown Development Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of DeWitt Downtown Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and State and Federal Agencies. However, this report is a matter of public record and its distribution is not limited.

Layton & Richardson, P.C.
Certified Public Accountant

East Lansing, Michigan
October 15, 2004